



Financial Management

Module V

What you will learn in this module

- How conservation districts are funded.
- Proper use of conservation district funds.
- Financial requirements.
- Incorporating internal controls.
- Grasping financial reports.

How conservation districts are funded

- The Conservation District Law, K.S.A. 2-1901 et seq., sets out provisions of how districts obtain money to carry on its operations.
- All Kansas conservation districts annually receive a:
 - County Appropriation.
 - Amount varies from county to county.
 - State Appropriation, available in July.
 - Matches county funds up to \$25,000.

(cont.)

How conservation districts are funded (cont.)

- Other revenue sources may include:
 - Sale of goods, i.e.,
 - Grass seed and trees.
 - Moisture/weed barrier.
 - Drip irrigation supplies.
 - Marking flags.
 - Services, i.e. equipment rental.
 - Grants: federal, state, local, & private.
 - Donations (tax deductible contribution).

Proper use of funds

- All funds must be used to carry out the functions of the conservation district.
- All district funds are considered public funds (regardless of source).
 - Expenditure must be for public purpose- an activity benefiting the public/community.
 - Can not be expended unless there is statutory authority to do so, regardless of how desirable or commendable the purpose may be.

(cont.)

Proper use of funds (cont.)

- **Operations Fund:**
 - To account for county & state moneys.
 - The Conservation District Law states how the money can and can not be used.
 - Shall be used to carry out the activities and functions of the district including:
 - Business-related travel & expenses of supervisors & employees (no advances);

(cont.)

Proper use of funds (cont.)

- Educational materials;
- Conservation awards;
- Annual meeting expenses (excluding meals);
and
- Membership dues to conservation related organizations.

(cont.)

Proper use of funds (cont.)

- Operations Fund restrictions:
 - Shall not be used for:
 - Annual meeting meals;
 - Prizes (of chance);
 - Incentives for achievements or attendance at meetings; or
 - Travel or expenses for anyone other than district supervisors and employees.

(cont.)

Proper use of funds (cont.)

- Enterprise Fund:
 - To account for activities similar to private business.
 - The Conservation District Law states to expend such income in carrying out the purposes and provisions of these statutes, which may include:
 - Same items as Operations Fund.
 - Operations Fund restrictions (those stated in K.S.A. 2-1907b).
 - Other conservation-related activities.

(cont.)

Proper use of funds (cont.)

- Conservation districts may also have:
 - Special Revenue Funds
 - To account for the proceeds of special revenue sources that is restricted by law or administrative action to expenditures for specific purposes (i.e., grants)
 - Capital Outlay Fund
 - To account for financial resources restricted for the acquisition or construction of major capital facilities.

Financial requirements

- In addition to how the funds can be used, the Conservation District Law requires:
 - All employees and supervisors entrusted with funds or property must be bonded.
 - Each year a budget is developed for all funds.
 - County commissioners certify the amount of money to be furnished to the district.
 - Budgets are submitted to the SCC by Sept. 1.

(cont.)

Financial requirements (cont.)

- An annual audit of the accounts, receipts, and disbursements must be performed by a Certified Public Accountant.
- The *Kansas Municipal Auditing Guide* for conservation district audits must be followed: Generally Accepted Auditing Standards (GAAS) audit or Agreed-Upon Procedures.
- Following completion, perhaps have auditor go over the audit at board meeting, either in person or via speaker phone.

(cont.)

Financial requirements (cont.)

- The conservation district board should approve the completed audit.
 - Must be submitted to the SCC within one year after the end of the audit period.
 - If annual receipts exceed \$275,000, a copy with \$150 filing fee must be sent to the Division of Accounts and Reports.
- A financial report covering the previous year shall be presented at the conservation district annual meeting.

(cont.)

Financial requirements (cont.)

- Supervisors receive no compensation for services (except business-related travel).
- Authorizes districts to sell or rent items with a conservation purpose.
- Shall not contract debts or obligations beyond available current appropriation. (Properly worded lease-purchase agreement is allowed.)
- Municipal accounting procedures shall be used in the distribution of and in the expenditure of all funds.

(cont.)

Financial requirements (cont.)

- Other relevant state laws:
 - Cash Basis Law:
 - Unlawful to create or authorize indebtedness in excess of the amount of funds actually on hand in the treasury at the time for such purpose.
 - Cannot approve payment unless money is in the appropriate fund account.
 - Cannot borrow money.

(cont.)

Financial requirements (cont.)

- Lease-purchase agreements are subject to the conditions in K.S.A. 10-1116c.
- Clerk or secretary (may be district employee) shall keep records of the amount of money in the treasury and each particular fund, all indebtedness and contracts creating a liability, and each check paid.
- Treasurer shall keep a record of the amount of money on hand in the treasury.

(cont.)

Financial requirements (cont.)

- Deposit of public moneys (district funds).
 - Must deposit funds in a State or United States chartered banks (including savings and loans associations) with main or branch office in Kansas. (Credit unions are not authorized.)
 - Must be located in same county as the district.
 - Board shall designate by official action the bank(s) serving as depositories of funds. (Recommended annually at 1st board meeting after annual meeting.)
 - Funds must be adequately secured. FDIC insures up to \$100,000 per depository.

(cont.)

Financial requirements (cont.)

- Authorized investments.
 - Common ones include time deposit, open accounts, and certificates of deposit.
 - Maturities are not to exceed 2 years.
 - Mutual Funds are not authorized.

(cont.)

Financial requirements (cont.)

- Procedures for payments.
 - Treasurer (or pro tem treasurer) examines bill (invoice, statement, or other claim) with full account of the items and amount due.
 - Treasurer approves claims in whole or in part as correct, due, and unpaid.
 - Board approves payments/claims list with motion stating the total amount (Unpaid Bills Needing Board Approval).
 - Checks shall be signed by chairperson, secretary, and treasurer.

(cont.)

Financial requirements (cont.)

- Certain payments may be authorized in advance of board approval.
 - Employee wages due and payable (as per payday stated in employment contract, and may be paid as often as semimonthly).
 - A discount for early payment.
 - An assessment of a penalty for late payment.
 - Reimbursement for employee travel expenses if scheduled board meeting is more than 15 days from the date the claim is filed.

Incorporating internal controls

- Board members are responsible for:
 - The management of funds.
 - All conservation district assets.
 - Ensuring financial integrity.
 - Establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the conservation district.

(cont.)

Incorporating internal controls (cont.)

- Internal controls are policies & procedures designed to assist in safeguarding assets and preventing errors. Some basics in addition to the previously stated legal requirements include:
 - Must use an accounting system to manage the revenues and expenses, and provide an adequate system of monitoring by the board members as well as outside auditors. (using a computer accounting software is highly recommended)

(cont.)

Incorporating internal controls (cont.)

- Use lockable, fireproof storage for checks, cash, credit cards, and computer data back-ups.
- Checks/Cash Received:
 - Receipts are issued for all money received (including bank interest).
 - Endorse checks upon receipt.
 - Record in ledger.
 - Deposit in a timely manner.

(cont.)

Incorporating internal controls (cont.)

- Conservation district checks:
 - Use only prenumbered checks.
 - Do not sign a blank check.
 - Do not use signature stamps.
 - When a check is voided, write void across the face of the check, and attach it to the check stub or voucher.

(cont.)

Incorporating internal controls (cont.)

- Policies for (optional) conservation district credit card (must approve issuance).
 - Who is authorized to use it.
 - What it may be used for.
 - Possibly set an amount that anything costing more requires advance board approval.
 - NOTE: Debit cards are not allowed since they do not require 3 signatures.

(cont.)

Incorporating internal controls (cont.)

- Segregate duties, whenever possible. No one person handles any financial transaction from beginning to end.
- Bank statements mailed to the Treasurer's home to be reviewed by the Treasurer or Treasurer reviews (unopened) bank statements at the district office.
- Reconcile each account with the bank statements each month. Normally done by employee and report reviewed by board or Treasurer.

(cont.)

Grasping financial reports

- Reports reflecting the financial condition of the conservation district are presented at every regular board meeting.
- The Treasurer's Report and the Unpaid Bills Needing Board Approval are two reports that are required, but other reports such as Profit and Loss or Accounts Receivable may also be presented.

(cont.)

Grasping financial reports (cont.)

- The Treasurer's Report includes the following elements:
 - Report period dates using either.
 - Date of the last board meeting to the date before the upcoming meeting.
(recommended) OR
 - Beginning of a month to the end of the month.
 - Fund name (Operations, Enterprise)

(cont.)

Grasping financial reports (cont.)

- Beginning balances- should agree with the ending balance of previous Treasurer's Report.
- Payments approved at last board meeting plus any payment made between meetings as authorized by state statutes.
 - Payment date,
 - Check number (all numbers accounted for),
 - Payee,
 - Description of what it was for, and
 - Amount.

(cont.)

Grasping financial reports (cont.)

- Deposits of money conservation district received including the following information:
 - Date received money,
 - Receipt number,
 - Name of customer,
 - Description of payment received, and
 - Amount.
- All savings, investment, and petty cash transactions.
- Ending Balances.

(cont.)

Grasping financial reports (cont.)

- Unpaid Bills Needing Board Approval is a list of claims to be approved.
 - Report includes:
 - Fund name (Operations, Enterprise),
 - Payment date (approval/meeting date),
 - Check number,
 - Payee,
 - Description of what it is for, and
 - Amount.
 - Motion required for payment and includes total amount(s) approved.

Review Questions

1. What are the two sources of funds that every Kansas conservation district receive annually?
2. According to state statutes what is all money coming into the custody of the conservation district considered?
3. Which fund account has restrictive uses for the county and state moneys?

(cont.)

Review Questions (cont.)

4. What must the Treasurer do before the board approves the payment of bills?
5. What can be mailed to the Treasurer's home for review as part of the district's internal control policy?
6. What are the two financial reports that must be presented at a board meeting?

Answers to review questions

1. What are the two sources of funds that every Kansas conservation district receive annually?
county and state
2. According to state statutes what is all money coming into the custody of the conservation district?
public funds
3. Which fund account has restrictive uses for the county and state moneys?
Operations Fund

(cont.)

Answers to review questions Review

(cont.)

4. What must the Treasurer do before the board approves the payment of bills?

examines bill and supporting documents and certifies that it is correct, due, and unpaid

5. What can be mailed to the Treasurer's home for review as part of the district's internal control policy?

bank statement

6. What are the two financial reports that must be presented at a board meeting?

Treasurer's Report and Unpaid Bills Needing Board Approval (claims list)

Summary

The conservation district board members are responsible for the management of district funds, even though the day-to-day financial record keeping is assigned to the district employee(s). In order for the conservation district to be successful, adequate financial resources must be obtained for the operation of the district and for conducting district programs. Board members must establish sound financial procedures to protect the district's assets consistent with public accountability and the financial laws affecting conservation districts.

Resources Available

- **Resources**

- *Kansas Conservation District Handbook*, Administrative Section, Chapter 5
- *Kansas Conservation District Supervisors Handbook*, Chapter 3
- SCC Staff:
Dee Turner
Scott Carlson

- **Where to find**

- Located in each district office and on the State Conservation Commission website, registered section: www.scc.ks.gov
- Located in each district office, each supervisor should have a copy, and on the State Conservation Commission website:
www.scc.ks.gov
785.296.3600
dee.turner@scc.ks.gov
scott.carlson@scc.ks.gov